

# A Study on Factors Contributing to Income Inequality in Pakistan

Dolat Khan

BS-Economics Scholar, Akhuwat College University Kasur, Punjab, Pakistan.

Email: [dolatkhan.zarkoon@gmail.com](mailto:dolatkhan.zarkoon@gmail.com)

Suhaib Shar

BS-Economics Scholar, Akhuwat College University Kasur, Punjab, Pakistan.

Email: [suhaibbaloch363@gmail.com](mailto:suhaibbaloch363@gmail.com)

Ashfaq Sabir

BS-IT Scholar, Akhuwat College University Kasur, Punjab, Pakistan.

Email: [ashfaqbaloch5451106@gmail.com](mailto:ashfaqbaloch5451106@gmail.com)

Received on: 03-01-2024

Accepted on: 05-02-2024

## **Abstract**

This research addresses the general issue of income inequality in Pakistan, recognizing its global significance. It identifies factors contributing to income inequality such as disparities in education, corruption, and the impact of globalization. So the study aims to find the empirical relationships between income inequality and corruption. Findings show that there is a moderate relationship between income inequality and corruption. so the study emphasizes the need for policy intervention to mitigate income disparities and promote fair income distribution.

**Keywords:** corruption, quality education, and income inequality

## **INTRODUCTION:**

Income inequality in Pakistan is a significant issue that refers to the unequal distribution of income among individuals or households in the country. It means that some people have higher incomes compared to those who do not have to eat. Nowadays the rich become the richest and the poor become the poorest. This can hurt society and also have an economic impact it reduces the disposable income for the great majority of consumers who must continue to consume if the economy is to grow. Income that goes to a small number of wealthy families instead of being distributed to a much larger group of lower-income families does not result in the same level of consumer spending. Wealthy people have most of what they need already; for the most part, they will not buy.

Many more new houses with increased income. This issue is not only concerned with Pakistan but it is globally, so several factors can contribute to income inequality, such as the disparities in education and skill, technological advancement, gender, race, corruption, or

government policies and economic system which may favor some particular groups. There is ongoing debate among economists, policymakers, and society at large about the causes, consequences, and appropriate responses to income inequality. Some argue that a certain level of inequality is necessary for economic well-being and innovation, while others emphasize the importance of reducing inequality to promote social cohesion and economic stability.

**Problem statement:**

Worldwide, income inequality is still a major problem that poses numerous obstacles to inclusive growth and socioeconomic stability. Even with a great deal of study, a thorough knowledge of the complex interactions between the several elements that contribute to income inequality is necessary. To close this gap, this research will examine the various factors that contribute to income inequality, including social, institutional, and economic factors. The research aims to provide insights essential for developing successful policy interventions targeted at reducing income disparities and promoting equitable economic development by clarifying the intricate relationships between these variables.

**Research Questions:**

1. To what extent do educational disparities, including differences in access to quality education and skill development opportunities, contribute to income inequality?
2. To what extent corruption is going to contribute to income inequality?
3. To what extent does globalization affect income inequality?

**Research Objective:**

1. our study aims to know the impact of corruption on income inequality.
2. To show the relationship of Income inequality with other variables, like corruption, education, and economic growth.
3. Find a possible solution to combat income inequality.
4. study aims to know, why some people have higher incomes and some do not.

**Significance:**

The significance of this paper is that it provides a basis for determining the sources and magnitude of inequality and welfare if policies for reducing inequality and poverty are considered because different types of inequality require different policy instruments.

**Literature Review:**

A growing number of issues are related to income inequality in the global development agenda, especially when it comes to emerging nations where high levels of inequality make it difficult to achieve sustainable economic growth and reduce poverty. Pakistan is hardly an exception, as officials and academics continue to be concerned about income inequality. Although the economy of the nation has grown significantly in recent years, this progress has not resulted in a more equitable distribution of income; a high degree of income inequality is indicated by a Gini coefficient of 0.30. This emphasizes how important it is to evaluate the socioeconomic effects and underlying causes of income disparity in Pakistan critically.

*A Study on Factors Contributing to Income Inequality in Pakistan*

---

Several reasons have been linked to Pakistan's high levels of income disparity. Globalization is one such element that has boosted trade and capital movements and might have made inequality already present worse. This is especially important because Pakistan is a net importer and its exports make up barely 10% of its GDP. Income gaps have been exacerbated by the economy's opening up to international commerce, which has had varying effects on various industries and geographical areas. The education system in Pakistan, which has long been criticized for its low quality and limited accessibility, is another element that might be causing income inequality in the country. Education is a major factor in social mobility and can lift people out of poverty, although access to it varies widely (Ahmed, 2022).

Pakistan's education system has consistently received appalling neglect. Therefore, the main reasons for this negligence at the national level are lower investment in this sector, high levels of poverty and inflation, income inequality, gender inequality, regional inequality, poor state of public educational institutions, high fees in private educational institutions, inconsistent educational policies, and poor implementation. These are the major obstacles Pakistan faces in developing its educational system and building its human capital, and they must be tackled at the right level. (Khan, 2015)

(Samadi, 2013) Has described that the majority of people in developing nations with high rates of illiteracy have imperfect perceptions of what the government does. People's expectations of the government are unclear under this situation. Many believe that in exchange for governments making wise decisions, they ought to give them rewards. Therefore, it cannot be believed that corruption is a difficult issue for these civilizations because it is ingrained in their social connections and culture (Graeff and Mehlkop, 2003). Conversely, individuals in highly literate nations typically know how to engage in illicit activity to make money. For instance, those who work as CEOs in private offices or hold government positions are typically involved in embezzlement, money laundering, and other forms of macro corruption.

In general, income inequality may rise due to changes affecting the labor supply (immigration, part-time labor, institutional changes related to minimum wages, unionism, etc.). However, globalization is thought to be a multifaceted phenomenon that is achieved through a variety of methods. Trade liberalization, capital flows, financial openness, information and communication technologies (ICT), international migration, etc. are some of its primary drivers. The rapid growth of globalization over the past few decades has sparked a growing discussion concerning its effects on income distribution. (Asteriou, 2014) The 1990s saw a dramatic rise in income disparities in Pakistan, and the PLSM data indicates that this tendency is still present in the current decade, despite possible declines in poverty. Furthermore, compared to metropolitan regions, income inequality has been far larger. The distribution of assets, the distribution of functional income, transfers from other families, the government, and the outside world, as well as the tax and spending structure of the government, are the four primary elements that determine the distribution of personal income. (Kemal, 2006).

**Methodology:**

Our research study is to find the factors that are contributing to income inequality, for this,

*A Study on Factors Contributing to Income Inequality in Pakistan*

we have to apply the quantitative method for the collection of data using questionnaires and conducting surveys.

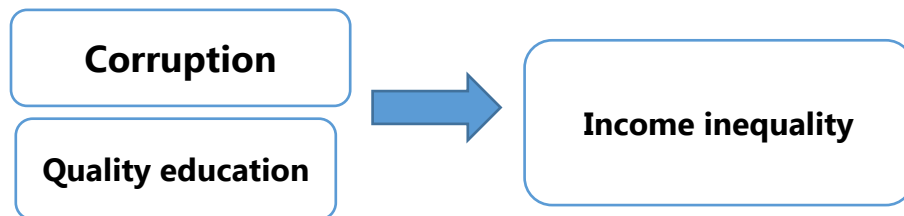
**Population:**

The population of our study is the students of different universities or colleges, belonging to different provinces. As we can get the accurate results.

**Sampling:**

We will choose simple random sampling, a type of probability sampling. SOFTWARE SPSS will be used for the analysis of our research data.

**The theoretical framework of variable:**



**Hypothesis:**

1. If corruption levels increase then income inequality will also increase within Pakistan.
2. If there is high quality of education there will be less income inequality.

**Results, Findings, and Discussion:**

Descriptive Statistics			
	Mean	Std. Deviation	N
income inequality	3.7667	.29486	20
Corruption	3.8083	.71179	20
quality education	2.4750	.87697	20

The descriptive statistics provided above indicate that the mean value of the income inequality item is 3.7667. This suggests that most people have chosen the option of 'agree' on this topic. Similarly, the mean value of corruption falls at 3.8083, which is close to the 'agree' option on our instrument. However, the variable for quality education in our instrument falls to 2.4750, which is between the 'disagree' and 'neutral' options. This indicates a tendency towards disagreement or neutrality on the issue of quality education.

Correlations				
		Income inequality	Corruption	quality education
income inequality	Pearson Correlation	1	.393	.072
	Sig. (2-tailed)		.086	.762
	N	20	20	20
corruption	Pearson Correlation	.393	1	-.191
	Sig. (2-tailed)	.086		.420

*A Study on Factors Contributing to Income Inequality in Pakistan*

	N	20	20	20
quality education	Pearson Correlation	.072	-.191	1
	Sig. (2-tailed)	.762	.420	
	N	20	20	20

In the above-given correlation table, the Pearson correlation between income inequality and corruption is 0.393, suggesting a moderate positive correlation. The P value associated with this correlation is 0.86 which is greater than the conventional threshold 0.05. Thus the correlation is not statistically significant at 0.05 level. So this indicates that there is a moderate positive correlation between income inequality and corruption, but it is not strong enough to be considered statistically significant.

Now the Pearson correlation between income inequality and quality education is 0.072, indicating a weak positive relation. The p-value associated with this correlation is 0.762.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.421 <sup>a</sup>	.177	.080	.28274

In the model summary table, R represent the correlation coefficient, which measures the strength and direction of linear relationships between the independent variables and dependent variable, in this model the value of R is .421 which suggests a moderate positive correlation. The column R square is .177 which shows a 17.7% variation in the dependents variable.

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.293	2	.146	1.831	.190 <sup>b</sup>
	Residual	1.359	17	.080		
	Total	1.652	19			

a. Dependent Variable: income inequality

b. Predictors: (Constant), quality education, corruption

So in the ANOVA table, the significant column shows .190 so the model does not appear statistically significant.

**Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	2.973	.435		6.840	.000
Corruption	.175	.093	.423	1.885	.077
Quality education	.051	.075	.153	.683	.504

*A Study on Factors Contributing to Income Inequality in Pakistan*

---

A. dependents variable income inequality

B. explanatory variable corruption and quality education.

So in the above coefficients table, the constant shows the value of the dependents variable 2.973 where the independent variable is 0. So significance level for corruption is 0.77 which is greater than the p-value, and also for the quality of education is the value is 0.504 which is statistically not significant. So our hypothesis is rejected, this is due to the low level of sample size. This cause may be in our instrument which may not be well established.

**Conclusion:**

Our research study highlights the various factors contributing to income inequality, including corruption, disparities in education, and the impacts of globalization. However, our findings indicate that our hypotheses were rejected due to limitations in our sample size and the lack of a well-established research instrument. In reality, the relationship between corruption and income inequality is typically a strong positive correlation, whereas in our results, it appears as a moderate positive correlation.

**Limitation:**

During this project, our exam date sheet was announced, increasing the pressure on us to prepare for exams. Consequently, we had very limited time to conduct our research project. As a result, we decided to work with a smaller sample size to complete the project within the time constraints.

**References**

1. Ahmed. ( 2022). *Income Inequality in Pakistan: A Critical Appraisal of Causal Factors and Socio-Economic Implications.*, 1-9.
2. Asteriou, D. D. (2014). *Globalization and income inequality: A panel data econometric approach for the EU27 countries.* , 592-599.
3. Kemal, A. R. (2006). *Income Inequalities in Pakistan and a strategy to reduce income inequalities. Background Paper for PRSP-II, PRSP Secretariat, Government of Pakistan.*
4. Khan, M. Z. (2015). *Education and income inequality in Pakistan. Management and Administrative Sciences Review*, 134-145.
5. Samadi, A. H. (2013). *The effect of income inequality on corruption in selected countries. Journal of Emerging Issues in Economics, Finance and Banking*, 214-231.
6. Ullah, M. A. (2016). *Inequality and corruption. Evidence from panel data. Forman Journal of Economic Studie.*